

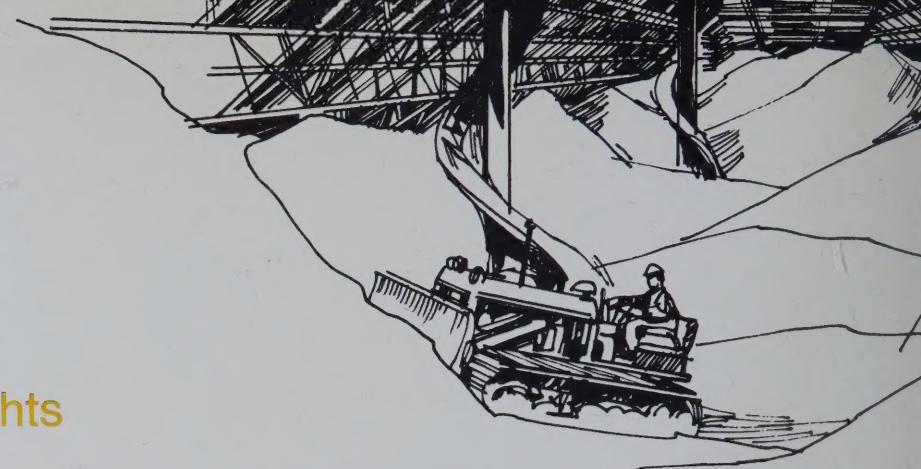
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the canadian salt company limited

windsor

annual report 1971





## financial highlights

	1971	1970	1969	1968	1967
Sales	\$ 26,523,277	\$ 21,845,904	\$ 20,216,660	\$ 21,458,408	\$ 18,920,767
Income before depreciation, amortization and taxes	8,307,189	5,427,346	6,256,645	6,123,882	5,352,301
Depreciation and amortization	1,773,890	1,718,498	1,716,071	1,674,015	1,539,948
Taxes (on income)	2,319,138	1,404,840	1,860,103	1,774,804	1,478,259
Net income	4,214,161	2,304,008	2,680,471 <sup>(2)</sup>	2,675,063	2,334,094
Shares issued and outstanding	2,250,000	2,250,000	2,250,000	2,250,000 <sup>(1)</sup>	750,000
Earnings per share	1.87	1.02	1.19	1.19 <sup>(1)</sup>	3.11
Dividends paid per share	0.70	0.60	0.55	0.33 <sup>(1)</sup>	0.80
Total shareholders' equity	28,450,857	25,811,696	24,857,688	23,414,717	21,489,654
Working capital	10,140,755	6,672,069	7,029,482	6,864,686	4,603,531
Capital expenditures	1,030,506	2,456,451	2,512,598	1,264,460	2,232,690

(1) Company subdivided its common shares on February 2, 1968 on a three for one basis.

(2) Includes extraordinary credit of \$893,490 from which tax has been deducted in the amount of \$477,213 for an addition to Net income of \$416,277 or 19 cents per share.

windsor the canadian salt company limited

On pourra se procurer le texte français de ce rapport en s'adressant au Secrétaire, La Société canadienne de Sel, Limitée, 600 Edifice Canada Ciment, Montréal 111, Québec.

LA  
SOCIÉTÉ  
CANADIENNE  
DE SEL,  
LIMITÉE



### Rapport Trimestriel aux Actionnaires

Six mois terminés le 31 décembre 1971

Les ventes se sont améliorées au cours du second trimestre et accusent une augmentation d'environ 9% sur la période correspondante de six mois l'an dernier. Le revenu net fut de \$1,907,549 ou 85¢ par action comparativement à \$1,857,683 ou 83¢ par action l'an dernier. La diminution des ventes de sel gemme aux Etats-Unis a été plus que compensée par l'augmentation des ventes domestiques. Les ventes de produits de sel d'évaporation montrent une légère augmentation sur l'an dernier, avec presque toutes les catégories de produits contribuant à la hausse.

L'élimination de la surcharge sur les exportations de sel gemme aux Etats-Unis améliorera la position compétitive de votre compagnie dans ce marché où les prix sont descendus à un niveau très bas.

Quoique les mois de janvier et février ont été relativement doux dans plusieurs régions, les ventes de sel gemme à voirie se maintiennent presque au niveau prévu pour soutenir cette allure, la température devra se faire plus rigoureuse d'ici la fin de l'hiver.

Le conseil d'administration a augmenté le taux régulier du dividende trimestriel le portant de 16 1/4¢ à 20¢ entrant en vigueur avec le paiement du mois de mars 1972.

Le 18 février 1972

### État Consolidé du revenu (non vérifié)

Pour les six mois terminés le 31 décembre 1971

(Avec chiffres comparatifs de 1970)

	1971	1970		1971	1970
Ventes . . . . .	<u>\$13,176.931</u>	<u>\$12,416.902</u>	Provenance des fonds		
Cout des ventes y compris les frais de commercialisation, d'administration et autre déductions . . . .	9,472,182	8,651,236	Revenu net . . . . .	\$ 1,907,549	\$ 1,857,683
Amortissement . . . .	830,496	852,282	Amortissement . . . . .	830,496	852,282
	<u>10,302,678</u>	<u>9,503,518</u>	Perte à la vente d'im- mobilisations . . . . .	6,041	2,147
Revenu avant impôts sur le revenu . . . .	2,874,253	2,913,384	Diminution de l'effet à recevoir d'une compagnie affiliée . . . . .	402,553	153,354
Impôts sur le revenu . . . . .	966,704	1,055,701		3,146,639	2,865,466
Revenu net . . . . .	<u>\$ 1,907,549</u>	<u>\$ 1,857,683</u>	Utilisation des fonds Dépenses en im- mobilisations (moins produits de disposition \$60,890) . . . . .	658,594	494,502
Bénéfices par action . . . . .	\$.85	\$.83	Diminution d'impôts sur le revenu reportés . . . . .	56,829	53,075
			Dividendes . . . . .	1,293,750	900,000
				<u>2,009,173</u>	<u>1,447,577</u>
			Augmentation du fonds de roulement . . . . .	1,137,466	1,417,889
			Fonds de roulement au début de la période . . . . .	10,140,755	6,672,069
			Fonds de roulement à la fin de la période . . . . .	<u>\$11,278.221</u>	<u>\$ 8,089,958</u>

Pour les six mois terminés le 31 décembre 1971

(Avec chiffres comparatifs de 1970)

Pour les six mois terminés le 31 décembre 1971

(Avec chiffres comparatifs de 1970)

Pour les six mois terminés le 31 décembre 1971

(Avec chiffres comparatifs de 1970)



**Quarterly Report  
to the Shareholders**

Six months ended December 31, 1971

THE  
CANADIAN  
SALT  
COMPANY  
LIMITED

**Consolidated Statement  
of Income (Unaudited)**

For six months ended December 31, 1971  
(With comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
Sales . . . . .	<u>\$13,176,931</u>	<u>\$12,416,902</u>
Costs, including marketing and administrative expenses and other deductions . . .	9,472,182	8,651,236
Depreciation and amortization . . .	830,496	852,282
	<u>10,302,678</u>	<u>9,503,518</u>

Income before income taxes . . . . .	2,874,253	2,913,384
Income taxes . . . . .	966,704	1,055,701
Net income . . . . .	<u>\$ 1,907,549</u>	<u>\$ 1,857,683</u>
Earnings per share . . . . .	<u>\$ .85</u>	<u>\$ .83</u>

In spite of the comparatively mild winter experienced in many areas during January and February to date, sales have been close to forecast. However, more severe weather conditions will be needed to sustain this pattern for the balance of the ice-control season.

The Directors have increased the regular quarterly dividend rate to 20 cents from 16½ cents effective with the March 1972 payment.

THE  
CANADIAN  
SALT  
COMPANY  
LIMITED

**Consolidated Statement  
of Source and Application of Funds  
(Unaudited)**

For six months ended December 31, 1971  
(With comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
Source of Funds		
Net income . . . . .	\$ 1,907,549	\$ 1,857,683
Depreciation and amortization . . . . .	830,496	852,282
Loss on disposal of fixed assets . . . . .	6,041	2,147
Reduction in note receivable from an affiliated company . . . . .	402,553	153,354
	<u>3,146,639</u>	<u>2,865,466</u>
Application of Funds		
Expenditures on fixed assets (less proceeds on disposals \$60,890) . . . . .	658,594	494,502
Decrease in deferred income taxes . . . . .	56,829	53,075
Dividends . . . . .	1,293,750	900,000
	<u>2,009,173</u>	<u>1,447,577</u>

Increase in working capital . . . . .	1,137,466	1,417,889
Working capital beginning of period . . . . .	<u>10,140,755</u>	<u>6,672,069</u>
Working capital end of period . . . . .	<u>\$ 11,278,221</u>	<u>\$ 8,089,958</u>

*R.A. Mahaney*

President

February 18, 1972



## directors' report to the shareholders

The year 1971 was the most successful year in the Company's history with both sales and net income establishing new records.

Sales were \$26,523,277, an increase of 21% over \$21,845,904 in 1970. Net income rose from \$1.02 a share in 1970 to \$1.87 a share in 1971.

Dividends totalling 70¢ per share were paid during the year consisting of four regular quarterly dividends of 15¢ plus an extra dividend of 10¢ paid in the first fiscal quarter. The main reason for the significant increase in sales was the exceptional demand for rock salt for ice-control purposes resulting from the most severe winter conditions experienced in many years. Export sales of rock salt increased 42% while domestic sales were up 29%. Sales of evaporated salt products were up approximately 7% from the previous year. Capital expenditures totalled \$1,030,506 for the year. No extraordinary items are included in this amount which covered mainly additions to and replacements of mining equipment.

The federal budget incorporating proposals for tax reform was, fortunately, more moderate than had been anticipated. The degree of resistance to many of the more extreme proposals contained in the "White Paper" caused many of them to be discarded. At present it is not possible to assess, except in general terms, the impact on the Company. Under these proposals, the Company would be able to claim depletion on the present basis (33-1/3% of profits attributable to mining operations) until the end of 1976. A new system of earned depletion would then go into effect and would appear to have almost no application to our type of operation as presently carried on. A tax abatement of 15% on mining income combined with a reduction of federal income tax of 4% over a four-year period would counterbalance to a large extent the effect of the loss of the depletion allowance and other minor changes. The effective combined mining and income tax rate for the Company in 1977 would be close to the present rate if there were no increases in Provincial income and/or mining taxes during the period.

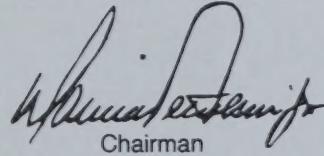
It is with deepest regret that we record the passing of Mr. John H. Rowland, Vice-President - Marketing, who died suddenly on July 19, 1971. At the time of his death, Mr. Rowland had 34 years of service with the Company and had been a member of the Board of Directors since 1969.

Special By-law "L" was enacted by the Board to reduce the number of Directors of the Company to eleven from twelve.

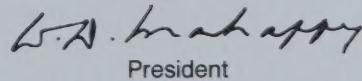
Expectations for the coming year are for a generally good year but earnings may not reach those of the extraordinary year just passed. We are hopeful that economic conditions will improve. A general recovery, especially in the chemical, textile, pulp and paper and food industries would be beneficial to the Company.

The Board extends its appreciation to all the employees who have contributed to the continued progress of the Company.

On behalf of the Board of Directors



W. D. Bradbury  
Chairman



W. D. Bradbury  
President

Montreal, Quebec, August 17, 1971

**the canadian salt company limited**

and subsidiary companies

**consolidated balance sheet**

June 30, 1971 with comparative figures for 1970

**assets**

**1971**

**1970**

**Current assets**

Cash .....	\$ 141,840	\$ 43,939
Short-term notes and other temporary investments, at cost, which approximates market value .....	7,037,493	3,108,617
Accounts receivable less allowance for doubtful accounts .....	1,556,465	1,353,399
Due from affiliated companies .....	423,200	461,871
Inventories at the lower of cost and net realizable value .....	4,525,289	4,452,698
Prepaid expenses .....	240,340	167,138
Total current assets .....	<b>13,924,627</b>	<b>9,587,662</b>
Estimated income taxes recoverable (note 1) .....	327,128	327,128
Note receivable from an affiliated company - not current .....	5,078,747	5,232,101
Fixed assets at cost, less accumulated depreciation		
Land, including mineral rights .....	1,092,939	1,092,939
Buildings and equipment less accumulated depreciation \$14,700,160; 1970 - \$13,389,320 .....	10,926,391	11,397,988
	<b>12,019,330</b>	<b>12,490,927</b>
Mine preproduction and development expenses, including cost of shafts, less amortization \$3,379,877; 1970 - \$3,083,130 .....	3,443,125	3,739,872
	<b>\$ 34,792,957</b>	<b>\$ 31,377,690</b>

*On behalf of the Board:*

D. Peterkin, Jr., Director  
W. D. Mahaffy, Director

liabilities	1971	1970
<b>Current liabilities</b>		
Loans payable - bank .....	\$ 1,000,000	\$ —
Accounts payable and accrued charges .....	1,350,735	1,512,798
Income and mining taxes payable .....	1,433,137	802,167
Due to affiliated company .....	—	5,628
Sinking fund payments and instalments of long-term debt payable within one year .....	—	595,000
Total current liabilities .....	<b>3,783,872</b>	<b>2,915,593</b>
Deferred income taxes .....	<b>2,558,228</b>	<b>2,650,401</b>

## shareholders' equity

Capital stock (note 2)		
Authorized -		
4,500,000 shares of no par value		
Issued and fully paid -		
2,250,000 shares .....	915,000	915,000
Retained earnings .....	27,535,857	24,896,696
Total shareholders' equity .....	<b>28,450,857</b>	<b>25,811,696</b>
Commitments (notes 3 and 4)		
	<b>\$ 34,792,957</b>	<b>\$ 31,377,690</b>

**the canadian salt company limited**  
and subsidiary companies

**consolidated statement of income**  
year ended June 30, 1971 with comparative figures for 1970

	1971	1970
Sales .....	<b>\$ 26,523,277</b>	\$ 21,845,904
Costs, including marketing and administrative expenses ..	18,343,635	16,408,442
Depreciation .....	1,477,143	1,421,751
Amortization of deferred mine preproduction and development expenses .....	296,747	296,747
	<b>20,117,525</b>	18,126,940
Operating profit .....	<b>6,405,752</b>	3,718,964
Other income		
Interest earned .....	161,343	181,330
Miscellaneous .....	29,072	11,520
	<b>190,415</b>	192,850
	<b>6,596,167</b>	3,911,814
Other deductions		
Interest on long-term debt .....	19,541	40,259
Loss on sale of fixed assets .....	24,960	116,245
Miscellaneous .....	18,367	46,462
	<b>62,868</b>	202,966
Income before income taxes .....	<b>6,533,299</b>	3,708,848
Income taxes		
Current .....	2,411,311	1,497,053
Deferred (credit) .....	(92,173)	(92,213)
	<b>2,319,138</b>	1,404,840
Net income .....	<b>\$ 4,214,161</b>	\$ 2,304,008
Earnings per share		
On 2,250,000 outstanding shares .....	<b>\$ 1.87</b>	\$ 1.02

**consolidated statement of retained earnings**  
year ended June 30, 1971 with comparative figures for 1970

	1971	1970
Balance at beginning of year .....	<b>\$ 24,896,696</b>	\$ 23,942,688
Net income for the year .....	4,214,161	2,304,008
Dividends .....	29,110,857 1,575,000	26,246,696 1,350,000
Balance at end of year .....	<b>\$ 27,535,857</b>	\$ 24,896,696

*See accompanying notes to consolidated financial statements.*

**the canadian salt company limited**

and subsidiary companies

**consolidated statement of source and  
application of funds**

year ended June 30, 1971 with comparative figures for 1970

	1971	1970	
<b>Source of funds</b>			
From operations			
Net income .....	\$ 4,214,161	\$ 2,304,008	
Depreciation and amortization of fixed assets and mine preproduction and development expenses .....	1,773,890	1,718,498	
Loss on sale of fixed assets .....	24,960	116,245	
Deferred income taxes .....	(92,173)	(92,213)	
Funds provided from operations .....	<u>5,920,838</u>	4,046,538	
Reduction in note receivable from an affiliated company .....	153,354	—	
	<u>6,074,192</u>	<u>4,046,538</u>	
<b>Application of funds</b>			
Expenditures on fixed assets less proceeds of disposals \$49,047 (1970 - \$87,102) .....	1,030,506	2,456,451	
Retirement of long-term debt including payments due within twelve months .....	—	597,500	
Dividends .....	1,575,000	1,350,000	
	<u>2,605,506</u>	<u>4,403,951</u>	
Increase (decrease) in working capital .....	<u>\$ 3,468,686</u>	<u>\$ (357,413)</u>	
<b>Working capital changes for year ended June 30, 1971</b>			
	1971	1970	Increase
Current assets .....	\$ 13,924,627	\$ 9,587,662	\$ 4,336,965
Current liabilities .....	3,783,872	2,915,593	868,279
Working capital .....	<u>\$ 10,140,755</u>	<u>\$ 6,672,069</u>	<u>\$ 3,468,686</u>

**the canadian salt company limited**  
and subsidiary companies  
**notes to consolidated financial statements**  
June 30, 1971

(1) A subsidiary company has received assessments totalling \$327,128 in respect of income taxes for prior years. The amounts assessed and paid have been included in the balance sheet as "Estimated income taxes recoverable" pending the outcome of the appeals against the assessments. If the appeals against the assessments are unsuccessful, the amount will be written off against retained earnings.

During the year ended June 30, 1969, another subsidiary company made provision for taxes on monies received as consideration for cancellation of a contract. The subsidiary has made representations to the income tax authorities that the payment is not subject to income taxes. Should the claim be successful, an amount of \$477,213 will be credited to retained earnings.

(2) Pursuant to an Executive Incentive Plan approved by the shareholders on October 10, 1967, 150,000 common shares have been set aside in connection with stock options which may be granted under the Plan.

(3) Commitments for fixed asset expenditures amounted to \$312,000 at June 30, 1971.

(4) The employees of the company and its subsidiaries are eligible for membership in a non-contributory pension plan. The unfunded liability in respect of past services at June 30, 1971, based on an actuarial valuation (revised during the current year) made as of December 31, 1968, is estimated to be \$395,000 and is being amortized by payments of \$35,600 over 21 years, which will be charged to operations. Pension costs charged in the accounts during the year ended June 30, 1971 amounted to \$266,858 including amounts in respect of past services.

(5) The company had 12 (1970 - 14) directors and their aggregate remuneration as directors paid by the company amounted to \$14,600 (1970 - \$15,483).

The company had seven officers and their aggregate remuneration as officers paid by the company amounted to \$196,562 (1970 - \$181,428). Six of the officers were also directors.

## auditors' report to the shareholders

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We have examined the consolidated balance sheet of The Canadian Salt Company Limited and subsidiaries as of June 30, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies at June 30, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Peat Marwick Mitchell, C.*

Chartered Accountants.

Montreal, Que.  
July 23, 1971



**windsor** the canadian salt company limited

**Directors**

L. F. Bonham  
H. A. Clarke  
F. B. Common, Jr.  
Hon. L.-P. Gélinas  
W. Hasler  
W. D. Mahaffy  
J. D. Mair  
L. M. McBride  
D. Peterkin, Jr.  
E. G. Smith  
J. H. Taylor  
\* J. H. Rowland

**Executive Officers**

D. Peterkin, Jr., Chairman of the Board  
W. D. Mahaffy, President  
H. A. Clarke, Vice-President and  
Secretary-Treasurer  
J. D. Mair, Vice-President, Production  
\* J. H. Rowland, Vice-President, Marketing  
K. Weatherford, Vice-President  
L. M. McBride, Assistant Secretary

**Registrars and Transfer Agents**

Montreal Trust Company

**Auditors**

Peat, Marwick, Mitchell & Co.

**Head Office**

Canada Cement Building, Montreal, Quebec

\* deceased

<b>Plants</b>	Lindbergh, Alberta Regina, Saskatchewan Windsor, Ontario Pugwash, Nova Scotia
<b>Mines</b>	Pugwash, Nova Scotia Windsor, Ontario
<b>Sales Offices</b>	Moncton, New Brunswick Quebec, Quebec Montreal, Quebec Toronto, Ontario Winnipeg, Manitoba Edmonton, Alberta Vancouver, British Columbia
<b>Executive Offices</b>	Montreal, Quebec

